



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: USE OF "PURCHASED POWER COST ADJUSTMENT" (PPCA) FOR A THREE-MONTH PERIOD

MEETING DATE: JULY 17, 1991

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council approve application of the PPCA at a level of 11 mills/kwh beginning with bills prepared on or after August 1, 1991 and terminating with completion of the October 1331 billing cycle.

BACKGROUND INFORMATION: The Electric Rate Proposal approved by the City Council January 16, 1991 acknowledged that language was added in the tariff sheets to incorporate a PPCA clause to protect against revenue erosion. The PPCA was characterized as a method to collect revenue to cover significant expense items which were not anticipated.

When the January 16, 1991 proposal was made, we could not adequately project the full impact of either the Middle East war on fuel prices or large purchases of supplemental energy during our summer peak load period.

The success of 'Desert Storm' maintained stable fuel prices, but adjustment in power plant operation planned for summer 1991 will result in unanticipated energy purchases during the summer period. Power plant operation is set by Northern California Power Agency (NCPA). The power plants being controlled include hydroelectric, geothermal steam and gas turbine. Hydroelectric and gas turbine production is expected to remain consistent with the budget, however, geothermal steam production has been restructured to maintain capacity for future periods. Project participants have determined that such altered production will require some supplemental purchases of energy this summer and next.

Such supplemental purchases of energy this summer will be from PG&E and others and result in an increased Lodi revenue requirement of approximately \$1,250,000.

These peak period purchases were not anticipated when the NCPA budget was incorporated into our rate determination. Imposition of a PPCA during August, September and October will collect most of the revenue difference attributable to this summer peak period.

APPROVED: _____

Thomas A. Peterson
THOMAS A. PETERSON
City Manager

Use of "Purchased Power Cost Adjustment" (PPCA) for a Three-Month Period

July 17, 1991

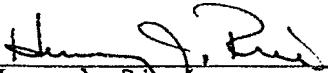
Page two

Anticipated revenue shortfall of approximately \$1,250,000 is expected to be collected as follows:

Month	Anticipated Sales	PPCA	Collection Amount
August	37,858,000 kwh	11 mills/kwh	\$416,488
September	37,997,000 kwh	11 mills/kwh	417,967
October	28,769,000 kwh	11 mills/kwh	316,459
			<u>\$1,150,914</u>

Existing rates applied to a residential customer using the average amount of energy per month of 550 kwh would yield \$49.72. Application of this PPCA would increase that bill \$6.05 per month to \$55.77 over the three-month period.

FUNDING: None Required


Henry J. Rice
Electric Utility Director

cc: Assist. Electric Utility Director
Manager, Rates & Resources

RESOLUTION NO. 91-138

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING APPLICATION OF THE "PURCHASED POWER COST ADJUSTMENT"
(PPCA) FOR A THREE-MONTH PERIOD

WHEREAS, Ordinance 1507 adopted by the Lodi City Council on January 16, 1991 approved the establishment of revised rates for the sale of electric energy by the City of Lodi, and acknowledged that language had been included in the tariff sheets to incorporate a "Purchased Power Cost Adjustment" (PPCA) clause which would enable the City to later collect revenue to cover significant expense items which were not anticipated; and

WHEREAS, because of adjustment in power plant operation in 1991, unanticipated supplemental purchases of energy from Pacific Gas and Electric and others will result in an increased Lodi revenue requirement of approximately \$1,250,000;

NOW, THEREFORE, BE IT RESOLVED, the Lodi City Council hereby approves application of the PPCA, thereby increasing residential customer billings at a level of 11 mills/kwh beginning with bills prepared on or after August 1, 1991 and terminating with completion of the October 1991 billing cycle.

Dated: July 17, 1991

I hereby certify that Resolution No. 91-138 was passed and adopted by the Lodi City Council in a regular meeting held July 17, 1991 by the following vote:

Ayes : Council Members - Pinkerton, Sieglock, Snider and
Hinchman (Mayor)

Noes : Council Members - Pennino

Absent: Council Members - None


Alice M. Reimche
City Clerk

91-138